

Introduced by Senator Wyland

February 22, 2007

An act to amend Sections 8543, 8543.1, 8544.5, 8546, 8546.4, 8546.8, and 12430 of, to add Sections 8546.10, 8546.11, 8546.12, 8546.14, 8546.15, 8546.16, 8546.17, 8546.18, 8546.19, 8546.20, 8546.21, 8546.22, 8546.23, and 8546.24 to, to repeal Sections 13291, 13292, 13292.5, 13293, 13294, 13295, 13296, 13297, 13298, 13299, 13299.1, 13300, 13301 and 13302 of, to add and repeal Section 8546.13 of, and to repeal Article 2 (commencing with Section 10520) of Chapter 4 of Part 2 of Division 2 of Title 2 of, the Government Code, relating to state audits and evaluations.

LEGISLATIVE COUNSEL'S DIGEST

SB 521, as introduced, Wyland. State Audits and Evaluations.

Under existing law, the Bureau of State Audits has statutory audit and evaluation duties, and the Department of Finance, through its Office of State Audits and Evaluations and its Performance Review Unit, has other, overlapping duties to perform audits and evaluations.

This bill would transfer all the audit and evaluation duties to the Bureau of State Audits and rename the bureau as the Bureau of State Audits and Evaluations. The bureau would also be responsible for auditing the performance of state programs and managers, and for recommending actions to correct any inefficiencies or ineffectiveness that may exist. The bill would become operative only if an unspecified SCA is approved by the voters.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 8543 of the Government Code is amended
2 to read:

3 8543. There is hereby created in state government the Bureau
4 of State Audits ~~under the direction of the Milton Marks “Little~~
5 ~~Hoover” Commission on California State Government Organization~~
6 ~~and Economy and Evaluations~~. In order to be free of organizational
7 impairments to independence, the bureau shall be independent of
8 the executive branch and legislative control.

9 SEC. 2. Section 8543.1 of the Government Code is amended
10 to read:

11 8543.1. The duties of the Bureau of State Audits *and*
12 *Evaluations* are to examine and report annually upon the financial
13 statements prepared by the executive branch of the state ~~and~~, to
14 perform other related assignments, including performance audits,
15 that are mandated by statute, *and to make recommendations to the*
16 *Governor and the Legislature for improving the effectiveness and*
17 *efficiency of state agencies and programs*. For the purposes of this
18 chapter “bureau” means the “Bureau of State ~~Audits,~~” *Audits and*
19 *Evaluations,*” unless the context clearly requires otherwise.

20 SEC. 3. Section 8544.5 of the Government Code is amended
21 to read:

22 8544.5. (a) There is hereby established in the State Treasury
23 the State Audit *and Evaluation* Fund, *to replace the State Audit*
24 *Fund*. Notwithstanding Section 13340, the State Audit *and*
25 *Evaluation* Fund is continuously appropriated for the expenses of
26 the State Auditor. There shall be appropriated annually in the
27 Budget Act to the State Audit *and Evaluation* Fund, from the
28 General Fund, the amount necessary to reimburse the State Audit
29 *and Evaluation* Fund for the cost of audits to be performed that
30 are not directly reimbursed under subdivision (c). “Cost of audits”
31 means all direct and indirect costs of conducting the audits and
32 any other related expenses incurred by the State Auditor in
33 fulfilling his or her statutory responsibilities.

34 (b) Upon certification by the State Auditor of estimated costs
35 on a monthly basis, the Controller shall transfer the amount thus
36 certified from the General Fund to the State Audit *and Evaluation*
37 Fund. The Controller shall thereafter issue warrants drawn against

1 the State Audit *and Evaluation* Fund upon receipt of claims
2 certified by the State Auditor.

3 (c) To ensure appropriate reimbursement from federal and
4 special funds for the costs of the duties performed pursuant to
5 Section 8546.3, the State Auditor may directly bill state agencies
6 for the costs incurred, ~~subject to the approval of the Director of~~
7 ~~Finance.~~

8 (d) To ensure adequate oversight of the operations of the bureau,
9 the Milton Marks “Little Hoover” Commission on California State
10 Government Organization and Economy shall annually obtain the
11 services of an independent public accountant to audit the State
12 Audit *and Evaluation* Fund and the operation of the bureau to
13 assure compliance with state law, including Section 8546. The
14 results of this audit shall be submitted to the commission and shall
15 be a public record.

16 (e) To ensure that audits of the Milton Marks “Little Hoover”
17 Commission on California State Government Organization and
18 Economy are conducted in conformity with government auditing
19 standards, any audit of the commission that is required or permitted
20 by law shall be conducted by the independent public accountant
21 selected pursuant to subdivision (d).

22 SEC. 4. Section 8546 of the Government Code is amended to
23 read:

24 8546. It is the intent of the Legislature that the Bureau of State
25 Audits *and Evaluations* have the independence necessary to
26 conduct all of its audits in conformity with “Government Auditing
27 Standards” published by the Comptroller General of the United
28 States and the standards published by the American Institute of
29 Certified Public Accountants, free from influence of existing state
30 control agencies that could be the subject of audits conducted by
31 the bureau. Therefore, all of the following exclusions apply to the
32 office:

33 (a) Notwithstanding Section 19790, the State Auditor shall
34 establish an affirmative action program that shall meet the criteria
35 and objectives established by the State Personnel Board and shall
36 report annually to the State Personnel Board and the commission.

37 (b) Notwithstanding Section 12470, the State Auditor ~~shall be~~
38 *is* responsible for maintaining its payroll system. In lieu of audits
39 of the uniform payroll system performed by the Controller or any
40 other department, the office shall contract pursuant to subdivision

(e) of Section 8544.5 for an annual audit of its payroll and financial operations by an independent public accountant.

(c) ~~Notwithstanding Sections 11730 and 13292, the~~*The* State Auditor is delegated the authority to establish and administer the fiscal and administrative policies of the bureau in conformity with the State Administrative Manual without oversight by the Department of Finance, ~~the Department of Information Technology,~~ or any other state agency.

(d) Notwithstanding Section 11032, the State Auditor may approve actual and necessary traveling expenses for travel outside the state for officers and employees of the bureau.

(e) Notwithstanding Section 11033, the State Auditor or officers and employees of the bureau may be absent from the state on business of the state upon approval of the State Auditor or Chief Deputy State Auditor.

(f) Sections 11040, 11042, and 11043 ~~shall~~ *do* not apply to the Bureau of State Audits. The State Auditor may employ legal counsel under those terms that he or she deems necessary to conduct the legal business of, or render legal counsel to, the State Auditor.

(g) The provisions and definitions of Article 2 (commencing with Section 11342.510) of Chapter 3.5 of Division 3 *of Title 2* shall not be construed to include the Bureau of State Audits *and Evaluations*. The State Auditor may adopt regulations necessary for the operation of the bureau pursuant to the provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Division 3 *of Title 2*), but these regulations shall not be subject to the review or approval of the Office of Administrative Law.

(h) The State Auditor ~~shall be~~ *is* exempt from all contract requirements of the Public Contract Code that require oversight, review, or approval by the Department of General Services or any other state agency. The State Auditor may contract on behalf of the State of California for goods and services that he or she deems necessary for the furtherance of the purposes of the bureau.

(i) (1) Subject to Article VII of the California Constitution, the State Auditor is delegated the authority to establish and administer the personnel policies and practices of the Bureau of State Audits *and Evaluations* in conformity with Part 2.6 (commencing with

1 Section 19815) of Division 5 of Title 2 without oversight or
2 approval by the Department of Personnel Administration.

3 (2) At the election of the State Auditor, officers and employees
4 of the bureau may participate in benefits programs administered
5 by the Department of Personnel Administration subject to the same
6 conditions for participation that apply to civil service employees
7 in other state agencies. For the purposes of benefits programs
8 administration only, the State Auditor is subject to the
9 determinations of the department. The Bureau of State Audits *and*
10 *Evaluations* shall reimburse the Department of Personnel
11 Administration for the normal administrative costs incurred by the
12 Department of Personnel Administration and for any extraordinary
13 costs resulting from the inclusion of the bureau employees in these
14 state benefit programs.

15 SEC. 5. Section 8546.4 of the Government Code is amended
16 to read:

17 8546.4. (a) The State Auditor shall annually issue an auditor's
18 report based upon the general purpose financial statements included
19 in the Controller's annual report that is submitted to the Governor
20 pursuant to Section 12460. The report shall be in accordance with
21 the "Government Auditing Standards" published by the
22 Comptroller General of the United States and the standards
23 published by the American Institute of Certified Public
24 Accountants.

25 (b) The State Auditor, in the performance of this annual audit,
26 may examine all the financial records, accounts, and documents
27 of any state agency as defined by Section 11000.

28 (c) The State Auditor shall rely, to the maximum extent possible,
29 upon the audits performed by the Controller, the Department of
30 Finance, internal auditors of state agencies, and independent
31 contractors. The ~~Director of Finance~~ *State Auditor* shall be
32 responsible for coordinating and providing technical assistance to
33 the internal auditors of state agencies. Nothing in this article is
34 intended to reduce or restrict the operations of internal auditors
35 whose review of internal financial and administrative controls of
36 state agencies is essential for coordinated audits.

37 (d) State agencies receiving federal funds shall be primarily
38 responsible for arranging for federally required financial and
39 compliance audits. State agencies shall immediately notify ~~the~~
40 ~~Director of Finance~~, the State Auditor, and the Controller when

1 they are required to obtain federally required financial and
2 compliance audits. ~~The Director of Finance, the State Auditor, and~~
3 the Controller shall coordinate the procurement by state agencies,
4 including any negotiations with cognizant federal agencies, of
5 federally required financial and compliance audits.

6 (e) To prevent duplication of the annual audit conducted by the
7 State Auditor pursuant to subdivision (a), except for those state
8 agencies that are required by state law to obtain an annual audit,
9 no state agency shall enter into a contract for a financial or
10 compliance audit without prior written approval of the Controller
11 ~~and the Director of Finance~~, which approval shall state the reason
12 for the contract and shall be filed with the State Auditor at least
13 30 days prior to the award of the contract. No funds appropriated
14 by the Legislature shall be encumbered for the purpose of funding
15 any contract for an audit that duplicates the annual financial audit
16 conducted by the State Auditor.

17 (f) Notwithstanding any other provision of this article, nothing
18 in this section shall be construed to limit, restrict, or otherwise
19 infringe upon the constitutional or statutory authority of the
20 Controller to superintend the fiscal concerns of the state.

21 (g) Notwithstanding any other provision of this article, nothing
22 in this section shall be construed to limit, restrict, or otherwise
23 infringe upon the statutory authority of the Director of Finance to
24 supervise the financial and business policies of the state, *except*
25 *that the auditing and evaluation functions previously assigned to*
26 *the Department of Finance are assigned to the bureau.*

27 SEC. 6. Section 8546.8 of the Government Code is amended
28 to read:

29 8546.8. Unless the contrary is stated or clearly appears from
30 the context, any reference to the Auditor General or *to the Office*
31 *of the Auditor General or the Bureau of State Audits* in any statute
32 or contract in effect on the effective date of this chapter, other than
33 Chapter 4 (commencing with Section 10500), with respect to the
34 performance of audits, shall be construed to refer to the State
35 Auditor and the Bureau of State Audits *and Evaluations*,
36 respectively.

37 SEC. 7. Section 8546.10 is added to the Government Code, to
38 read:

39 8546.10. (a) The State Auditor shall evaluate each state agency,
40 as defined in subdivision (a) of Section 11000, on a random basis,

1 with each program having a budget in excess of one million dollars
2 (\$1,000,000) being evaluated not less than once every five years,
3 to identify any inefficiencies or failures in the program, the ability
4 of agency managers to effectively and efficiently administer the
5 agency, and the effectiveness of the agency. The results of each
6 evaluation shall be provided to the Governor and the Legislature,
7 as well as to the direct supervisor of each manager.

8 (b) If an agency manager fails to use state resources efficiently
9 and effectively or fails to ensure that the agency meets its goals,
10 the State Auditor, working cooperatively with the direct supervisor
11 of the manager, shall establish performance goals and identify
12 appropriate actions to be taken to correct these failures within a
13 reasonable and defined period of time.

14 (c) If the failures are not corrected or performance goals are not
15 achieved within the time specified, the State Auditor shall
16 recommend to the Governor and the Legislature whether the
17 manager should be removed or the program terminated, or both.

18 SEC. 8. Section 8546.11 is added to the Government Code, to
19 read:

20 8546.11. The Bureau of State Audits and Evaluations may
21 require financial and statistical reports, duly verified and covering
22 the period of each fiscal year, from all agencies of the state included
23 within the provisions of Section 8546.22.

24 The reports shall be made upon blank forms prescribed and
25 furnished by the bureau, and mailed to each agency not less than
26 60 days before the time the reports are required to be filed with
27 the bureau.

28 SEC. 9. Section 8546.12 is added to the Government Code, to
29 read:

30 8546.12. When necessary, the bureau may require special
31 reports from any state or public agency. These special reports shall
32 be filed with the bureau without delay.

33 SEC. 10. Section 8546.13 is added to the Government Code,
34 to read:

35 8546.13. (a) No later than October 31 of each year, each state
36 agency listed in subdivision (d) shall submit a report to the bureau
37 that identifies and describes the status of that agency's liquidated
38 and delinquent accounts as of the end of the previous fiscal year
39 and efforts made by that agency to collect these accounts during
40 that previous fiscal year. The report shall identify receivables that

1 are valid and collectible. For this purpose, “valid” means due and
2 payable and for which there is no known disagreement about the
3 amount of the claim at the time it was established, and “collectible”
4 means due and payable and for which collection has not been
5 deferred by any other provision of law. The report shall be in a
6 form prescribed by the State Auditor and shall include a summary
7 of the total of all of the following:

8 (1) The total number and aggregate dollar amount of liquidated
9 and delinquent accounts.

10 (2) Liquidated and delinquent accounts, by total number and
11 aggregate dollar amount, that were not included in the annual report
12 for the immediately preceding fiscal year.

13 (3) Aggregate beginning balance and aggregate ending balance
14 of all liquidated accounts and of all delinquent accounts.

15 (4) Aggregate dollar amount of moneys paid on liquidated and
16 delinquent accounts.

17 (5) Total amount and total number of liquidated and delinquent
18 accounts that have been discharged from accountability.

19 (6) Total dollar amount of liquidated and delinquent accounts
20 turned over to private collection agencies and total amount
21 collected by those agencies for the fiscal year that is the subject
22 of the report.

23 (7) An aging of the liquidated and delinquent accounts included
24 in the report, which, at a minimum, shall identify the total number
25 and aggregate dollar amount of liquidated and delinquent accounts
26 that are within the following time periods after the obligation was
27 first due to a state agency:

28 (A) From 180 to 365 days.

29 (B) From 366 to 545 days.

30 (C) More than 545 days.

31 (b) No later than February 28 of each fiscal year, the State
32 Auditor shall submit to the Legislature a report on the status of
33 liquidated and delinquent accounts of state agencies, which shall
34 be based on the reports submitted by state agencies pursuant to
35 subdivision (a).

36 (c) As used in this section, “liquidated and delinquent accounts”
37 means any loans, accounts receivable, fines, assessments, penalties,
38 or other monetary obligation owed to a state agency that is unpaid
39 for 180 or more days after the obligation was first due to that state
40 agency.

(d) Subdivision (a) shall apply to all of the following state agencies:

- (1) State Board of Equalization.
- (2) Franchise Tax Board.
- (3) State Lands Commission.
- (4) Department of General Services.
- (5) Department of Motor Vehicles.
- (6) Department of Real Estate.
- (7) Department of Corporations.

(e) A state agency shall not enter into a contract with a private nongovernmental collection agency to perform the functions required of a state agency under this section.

(f) The agencies listed in subdivision (d) and the bureau shall use existing resources to comply with the requirements of this section, which shall apply only if sufficient resources are available for this purpose.

(g) This section shall become inoperative on July 1, 2010, and, as of January 1, 2011, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2011, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 11. Section 8546.14 is added to the Government Code, to read:

8546.14. The bureau may examine all records, files, documents, accounts and all financial affairs of every agency mentioned in Section 8546.22. It may enter any public office or institution in this state and examine any records, files, books, papers or documents contained therein or belonging thereto for the purpose of making the examination, and shall have access, in the presence of the custodian or his or her deputy, to the cash drawers and cash in the custody of the agency.

During business hours the bureau may examine the public accounts in any depository that has public funds in its custody

SEC. 12. Section 8546.15 is added to the Government Code, to read:

8546.15. The Bureau of State Audits and Evaluations shall examine the books of the several state agencies as often as the State Auditor deems necessary, taking into consideration the work done by other auditors, including the internal auditors of the various state agencies, so that duplication of auditing effort may be minimized.

1 SEC. 13. Section 8546.16 is added to the Government Code,
2 to read:

3 8546.16. Every state agency shall permit examination and upon
4 demand shall produce without unnecessary delay all books,
5 contracts, and papers in its offices, and furnish information
6 touching books, papers, contracts, and other matters pertaining to
7 the agency.

8 SEC. 14. Section 8546.17 is added to the Government Code,
9 to read:

10 8546.17. The State Auditor shall supply to the Controller a
11 certified copy of each periodical audit of the accounts of any state
12 agency. Additionally, if the audit includes a review of federal
13 funds, the State Auditor shall also report the results of the audit
14 simultaneously to the Legislature and the affected state agency.

15 SEC. 15. Section 8546.18 is added to the Government Code,
16 to read:

17 8546.18. The money in the State Treasury shall be counted by
18 the State Auditor at least twice each year, without giving the
19 Treasurer any previous notice of the day or hour of counting.

20 At any counting the State Auditor may place any sum in bags
21 or boxes and mark and seal them with a seal adopted and kept by
22 him or her. At any subsequent counting he or she may count each
23 sealed bag or box separately and credit at the value stamped thereon
24 the contents of the bags or boxes as part of the money counted
25 without making a detailed count of the contents.

26 SEC. 16. Section 8546.19 is added to the Government Code,
27 to read:

28 8546.19. The State Auditor shall count as cash all evidence of
29 money belonging to the state upon deposit outside the State
30 Treasury that may be held by the Treasurer in accordance with
31 law and shall determine for himself or herself whether that evidence
32 is sufficient according to law.

33 SEC. 17. Section 8546.20 is added to the Government Code,
34 to read:

35 8546.20. After each count of money, the State Auditor shall
36 make and file with the Secretary of State and cause to be published
37 in some newspaper in the City of Sacramento, an affidavit showing
38 the following information:

39 (a) The amount of money or credit that should be in the State
40 Treasury.

1 (b) The amount and kind of money or credit actually in the State
2 Treasury.

3 SEC. 18. Section 8546.21 is added to the Government Code,
4 to read:

5 8546.21. Securities held in the State Treasury or other
6 depositories for safekeeping purposes shall be counted or
7 confirmed, at least annually, by the State Auditor. After each count
8 or confirmation of securities, the State Auditor shall issue his or
9 her report on the accountability of securities.

10 SEC. 19. Section 8546.22 is added to the Government Code,
11 to read:

12 8546.22. (a) The bureau shall devise, install, supervise, and,
13 at its discretion, revise and modify, a modern and complete
14 accounting system for each agency of the state permitted or charged
15 by law with the handling of public money or its equivalent, to the
16 end that all revenues, expenditures, receipts, disbursements,
17 resources, obligations, and property of the state be properly,
18 accurately, and systematically accounted for and that there shall
19 be obtained accurate and comparable records, reports, and
20 statements of all the financial affairs of the state.

21 (b) This system shall be of a nature so as to permit a comparison
22 of budgeted expenditures, actual expenditures, and encumbrances
23 and payables, as defined by the California Fiscal Advisory Board,
24 and estimated revenue to actual revenue, which is compatible with
25 a budget coding system, developed by the bureau. In addition, the
26 system shall provide for a federal revenue accounting system with
27 cross-references of federal fund sources to state activities.

28 (c) This system shall include a cost accounting system that
29 accounts for expenditures by line item, governmental unit, and
30 fund source. The system shall also be capable of performing
31 program cost accounting as required. The system and the accounts
32 maintained by the several agencies of the state shall be coordinated
33 with the central accounts maintained by the Controller, and shall
34 provide the Controller with all information necessary to the
35 maintenance by the Controller of a comprehensive system of
36 central accounts for the entire state government. The Controller
37 or the State Auditor may consider and adopt any rule or regulation
38 required to implement this section.

39 (d) The requirements of this section apply to departments
40 commencing with the second fiscal year following the fiscal year

1 for which funds are appropriated by the Legislature to implement
2 this section. The bureau shall adopt guidelines and instructions to
3 implement the application of this section.

4 SEC. 20. Section 8546.23 is added to the Government Code,
5 to read:

6 8546.23. For the purpose of administering Section 8546.22,
7 the State Auditor may appoint and prescribe the duties and fix the
8 salaries of as many skillful accountants or assistants as he or she
9 deems necessary. Each appointee is a civil executive officer.

10 Before entering upon the discharge of the duties of his or her
11 office, each appointee shall execute to the state an official bond
12 conditioned upon the faithful performance of his or her duties in
13 a penal sum prescribed by the State Auditor of not less than five
14 thousand dollars (\$5,000).

15 SEC. 21. Section 8546.24 is added to the Government Code,
16 to read:

17 8546.24. (a) The accounting system devised as provided in
18 Section 8546.22 shall provide, with respect to the General Fund
19 and other governmental funds, for the following:

20 (1) The accrual of expenditures as of the end of each fiscal year
21 on the basis of payables incurred, excluding accrued interest on
22 general obligation bonded indebtedness.

23 (2) The accrual of revenues at the end of the fiscal year, if the
24 underlying transaction has occurred as of the last day of the fiscal
25 year and the due date for the tax is within two months of the end
26 of the period.

27 (b) Cash in agency trust accounts within the centralized State
28 Treasury system which is in transit to the State Treasury, accrued
29 interest receivable, and accounts receivable shall be accrued as of
30 the end of each fiscal year.

31 (c) For the purposes of financial reporting, the following applies:

32 (1) A payable exists when goods or services have been delivered
33 and the state is required to pay for those goods or services, and an
34 encumbrance exists when a valid obligation against an
35 appropriation has been created.

36 (2) All funds appropriated shall be identified as either expended,
37 payable, encumbered (exclusive of payables), or unencumbered,
38 as further defined by the California Fiscal Advisory Board, and
39 the total of these shall equal the total appropriation

1 SEC. 22. Article 2 (commencing with Section 10520) of
2 Chapter 4 of Part 2 of Division 2 of Title 2 of the Government
3 Code is repealed.

4 SEC. 23. Section 12430 of the Government Code is amended
5 to read:

6 12430. Annually, the Controller, *and* the State Auditor, ~~and~~
7 ~~the Director of the Department of Finance~~ shall each prepare a
8 plan to meet their audit responsibilities. With respect to audits to
9 fulfill the requirements necessary for the receipt of federal funds,
10 the State Auditor shall be primarily responsible for financial audits,
11 ~~and the Director of Finance or the Controller shall be primarily~~
12 ~~responsible for compliance audits, and the Director of Finance~~
13 ~~State Auditor~~ shall be primarily responsible for coordinating state
14 agency internal audits and determining when agencies are required
15 to obtain federally mandated audits. Upon completion of these
16 audit plans, the Controller, *and the* State Auditor, ~~and Director of~~
17 ~~Finance~~ shall meet to review and discuss the plans with the purpose
18 of coordinating their audit efforts to avoid unnecessary duplication
19 and negotiation with federal agencies regarding federally mandated
20 audits.

21 Subsequent to their review of the audit plans and negotiations
22 with federal agencies, if the Controller, ~~the Director of Finance,~~
23 ~~or the State Auditor~~ determines that the proposed audit plan of the
24 other does not fulfill all audit requirements necessary for the receipt
25 of federal funds, they may expand the scope of their audit of state
26 agencies to meet the additional federal audit requirements. The
27 financial audit report issued by the State Auditor and the
28 compliance audit report issued by the Controller ~~or the Director~~
29 ~~of Finance or both~~ are intended to fulfill federally mandated audit
30 requirements. These audit reports shall be performed in accordance
31 with the “Standards for Audits of Governmental Organizations,
32 Programs, Activities and Functions,” published by the Comptroller
33 General of the United States, and the standards published by the
34 American Institute of Certified Public Accountants.

35 Nothing in this section shall be construed to limit, restrict, or
36 otherwise infringe upon the duty of the State Auditor to conduct
37 annual financial audits pursuant to Section ~~10534~~ 8546.1 or to
38 limit, restrict, or otherwise infringe upon the authority of the Joint
39 Legislative Audit Committee to direct the State Auditor to conduct
40 any audit of state government pursuant to Chapter 6.5 (commencing

~~with Section 8540) of Division 1 of Title 2 subdivision (b) of Section 8546.1.~~

SEC. 24. Section 13291 of the Government Code is repealed.

~~13291. The department may require financial and statistical reports, duly verified and covering the period of each fiscal year, from all agencies of the state included within the provisions of Section 13300.~~

~~Such reports shall be made upon blank forms prescribed and furnished by the department, and mailed to each such agency not less than 60 days before the time the reports are required to be filed with the department.~~

SEC. 25. Section 13292 of the Government Code is repealed.

~~13292. When necessary, the department may require special reports from any such State or public agency. These special reports shall be filed with the department without delay.~~

SEC. 26. Section 13292.5 of the Government Code is repealed.

~~13292.5. (a) No later than October 31 of each year, each state agency listed in subdivision (d) shall submit a report to the director that identifies and describes the status of that agency's liquidated and delinquent accounts as of the end of the previous fiscal year and efforts made by that agency to collect these accounts during that previous fiscal year. The report shall identify receivables that are valid and collectible. For this purpose, "valid" means due and payable and for which there is no known disagreement about the amount of the claim at the time it was established, and "collectible" means due and payable and for which collection has not been deferred by any other provision of law. The report shall be in a form prescribed by the director and shall include, by state agency, but not be limited to, a summary of the total of all of the following:~~

~~(1) The total number and aggregate dollar amount of liquidated and delinquent accounts.~~

~~(2) Liquidated and delinquent accounts, by total number and aggregate dollar amount, that were not included in the annual report for the immediately preceding fiscal year.~~

~~(3) Aggregate beginning balance and aggregate ending balance of all liquidated accounts and of all delinquent accounts.~~

~~(4) Aggregate dollar amount of moneys paid on liquidated and delinquent accounts.~~

~~(5) Total amount and total number of liquidated and delinquent accounts that have been discharged from accountability.~~

1 ~~(6) Total dollar amount of liquidated and delinquent accounts~~
2 ~~turned over to private collection agencies and total amount~~
3 ~~collected by those agencies for the fiscal year that is the subject~~
4 ~~of the report.~~

5 ~~(7) An aging of the liquidated and delinquent accounts included~~
6 ~~in the report, which, at a minimum, shall identify the total number~~
7 ~~and aggregate dollar amount of liquidated and delinquent accounts~~
8 ~~that are within the following time periods after the obligation was~~
9 ~~first due to a state agency:~~

10 ~~(A) From 180 to 365 days.~~

11 ~~(B) From 366 to 545 days.~~

12 ~~(C) More than 545 days.~~

13 ~~(b) No later than February 28 of each fiscal year, the director~~
14 ~~shall submit to the Legislature a report on the status of liquidated~~
15 ~~and delinquent accounts of state agencies, which shall be based~~
16 ~~on the reports submitted by state agencies pursuant to subdivision~~
17 ~~(a).~~

18 ~~(c) As used in this section, “liquidated and delinquent accounts”~~
19 ~~means any loans, accounts receivable, fines, assessments, penalties,~~
20 ~~or other monetary obligation owed to a state agency that is unpaid~~
21 ~~for 180 or more days after the obligation was first due to that state~~
22 ~~agency.~~

23 ~~(d) Subdivision (a) shall apply to all of the following state~~
24 ~~agencies:~~

25 ~~(1) State Board of Equalization.~~

26 ~~(2) Franchise Tax Board.~~

27 ~~(3) State Lands Commission.~~

28 ~~(4) Department of General Services.~~

29 ~~(5) Department of Motor Vehicles.~~

30 ~~(6) Department of Real Estate.~~

31 ~~(7) Department of Corporations.~~

32 ~~(e) A state agency shall not enter into a contract with a private~~
33 ~~nongovernmental collection agency to perform the functions~~
34 ~~required of a state agency under this section.~~

35 ~~(f) The agencies listed in subdivision (d) and the department~~
36 ~~shall use existing resources to comply with the requirements of~~
37 ~~this section, which shall apply only if sufficient resources are~~
38 ~~available for this purpose.~~

39 ~~(g) This section shall become inoperative on July 1, 2010, and,~~
40 ~~as of January 1, 2011, is repealed, unless a later enacted statute,~~

1 that becomes operative on or before January 1, 2011, deletes or
2 extends the dates on which it becomes inoperative and is repealed.

3 SEC. 27. Section 13293 of the Government Code is repealed.

4 ~~13293. The department may examine all records, files,
5 documents, accounts and all financial affairs of every agency
6 mentioned in Section 13300. It may enter any public office or
7 institution in this state and examine any records, files, books,
8 papers or documents contained therein or belonging thereto for
9 the purpose of making such examination, and shall have access,
10 in the presence of the custodian or his deputy, to the cash drawers
11 and cash in the custody of such agency.~~

12 ~~During business hours the department may examine the public
13 accounts in any depository which has public funds in its custody.~~

14 SEC. 28. Section 13294 of the Government Code is repealed.

15 ~~13294. The Department of Finance shall examine the books
16 of the several state agencies as often as the director deems
17 necessary, taking into consideration the work done by other
18 auditors, including the internal auditors of the various state
19 agencies, so that duplication of auditing effort may be minimized.~~

20 SEC. 29. Section 13295 of the Government Code is repealed.

21 ~~13295. Every State agency shall permit such examination and
22 expediting and upon demand shall produce without unnecessary
23 delay all books, contracts, and papers in its offices, and furnish
24 information touching books, papers, contracts, and other matters
25 pertaining to the agency.~~

26 SEC. 30. Section 13296 of the Government Code is repealed.

27 ~~13296. The director shall supply to the Controller a certified
28 copy of each periodical audit of the accounts of any state agency.
29 Additionally, if the audit includes a review of federal funds, the
30 director shall also report the results of the audit simultaneously to
31 the Legislature and the affected state agency.~~

32 SEC. 31. Section 13297 of the Government Code is repealed.

33 ~~13297. The money in the Treasury shall be counted by the
34 State Auditor at least twice each year, without giving the Treasurer
35 any previous notice of the day or hour of counting.~~

36 ~~At any counting the State Auditor may place any sum in bags
37 or boxes and mark and seal them with a seal adopted and kept by
38 him or her. At any subsequent counting he or she may count each
39 sealed bag or box separately and credit at the value stamped thereon~~

1 ~~the contents of the bags or boxes as part of the money counted~~
2 ~~without making a detailed count of the contents.~~

3 SEC. 32. Section 13298 of the Government Code is repealed.

4 ~~13298. The State Auditor shall count as cash all evidence of~~
5 ~~money belonging to the state upon deposit outside the treasury~~
6 ~~that may be held by the Treasurer in accordance with law and shall~~
7 ~~determine for himself or herself whether that evidence is sufficient~~
8 ~~according to law.~~

9 SEC. 33. Section 13299 of the Government Code is repealed.

10 ~~13299. After each count of money the State Auditor shall make~~
11 ~~and file with the Secretary of State and cause to be published in~~
12 ~~some newspaper in the City of Sacramento, an affidavit showing:~~

13 ~~(a) The amount of money or credit that should be in the treasury.~~

14 ~~(b) The amount and kind of money or credit actually in the~~
15 ~~treasury.~~

16 SEC. 34. Section 13299.1 of the Government Code is repealed.

17 ~~13299.1. Securities held in the treasury or other depositories~~
18 ~~for safekeeping purposes shall be counted or confirmed, at least~~
19 ~~annually, by the State Auditor. After each count or confirmation~~
20 ~~of securities, the State Auditor shall issue his or her report on the~~
21 ~~accountability of securities.~~

22 SEC. 35. Section 13300 of the Government Code is repealed.

23 ~~13300. (a) The department shall devise, install, supervise, and,~~
24 ~~at its discretion, revise and modify, a modern and complete~~
25 ~~accounting system for each agency of the state permitted or charged~~
26 ~~by law with the handling of public money or its equivalent, to the~~
27 ~~end that all revenues, expenditures, receipts, disbursements,~~
28 ~~resources, obligations, and property of the state be properly,~~
29 ~~accurately, and systematically accounted for and that there shall~~
30 ~~be obtained accurate and comparable records, reports, and~~
31 ~~statements of all the financial affairs of the state.~~

32 ~~(b) This system shall be of a nature so as to permit a comparison~~
33 ~~of budgeted expenditures, actual expenditures, and encumbrances~~
34 ~~and payables, as defined by the California Fiscal Advisory Board,~~
35 ~~and estimated revenue to actual revenue, which is compatible with~~
36 ~~a budget coding system, developed by the department. In addition,~~
37 ~~the system shall provide for a federal revenue accounting system~~
38 ~~with cross-references of federal fund sources to state activities.~~

39 ~~(c) This system shall include a cost accounting system that~~
40 ~~accounts for expenditures by line item, governmental unit, and~~

~~fund source. The system shall also be capable of performing program cost accounting as required. The system and the accounts maintained by the several agencies of the state shall be coordinated with the central accounts maintained by the Controller, and shall provide the Controller with all information necessary to the maintenance by the Controller of a comprehensive system of central accounts for the entire state government. The Controller or the Director of Finance may submit to the California Victim Compensation and Government Claims Board and the California Victim Compensation and Government Claims Board shall consider and adopt any rule or regulation required to implement this section.~~

~~(d) The requirements of this section shall apply to departments commencing with the second fiscal year following the fiscal year for which funds are appropriated by the Legislature to implement this section. The department shall adopt guidelines and instructions to implement the application of this section.~~

SEC. 36. Section 13301 of the Government Code is repealed.

~~13301. For the purpose of administering Section 13300 of this code the director may appoint and prescribe the duties and fix the salaries of such number of skillful accountants or assistants as he deems necessary. Each such appointee is a civil executive officer.~~

~~Before entering upon the discharge of the duties of his office each such appointee shall execute to the state an official bond conditioned upon the faithful performance of his duties in such penal sum as the director prescribes, but not less than five thousand dollars (\$5,000).~~

SEC. 37. Section 13302 of the Government Code is repealed.

~~13302. The accounting system devised as provided in Section 13300 shall provide, with respect to the General Fund and other governmental funds, for:~~

~~(a) The accrual of expenditures as of the end of each fiscal year on the basis of payables incurred, excluding accrued interest on general obligation bonded indebtedness.~~

~~(b) (1) The accrual of revenues at the end of the fiscal year if the underlying transaction has occurred as of the last day of the fiscal year and the due date for the tax is within two months of the end of the period.~~

~~(2) Cash in agency trust accounts within the centralized State Treasury system which is in transit to the State Treasury, accrued~~

1 interest receivable, and accounts receivable shall be accrued as of
2 the end of each fiscal year.

3 (e) ~~For the purposes of financial reporting:~~

4 (1) ~~A payable exists when goods or services have been delivered~~
5 ~~and the state is required to pay for those goods or services, and an~~
6 ~~encumbrance exists when a valid obligation against an~~
7 ~~appropriation has been created.~~

8 (2) ~~All funds appropriated shall be identified as either expended;~~
9 ~~payable, encumbered (exclusive of payables), or unencumbered,~~
10 ~~as further defined by the California Fiscal Advisory Board, and~~
11 ~~the total of these shall equal the total appropriation.~~

12 SEC. 38. The Legislature finds and declares that the Office of
13 State Audits and Evaluations and the Performance Review Unit
14 in the Department of Finance and the Bureau of State Audits have
15 statutory duties that are overlapping and duplicative. By this act,
16 the Legislature intends to transfer the duties, personnel, and funding
17 for the Office of State Audits and Evaluations and the Performance
18 Review Unit to the Bureau of State Audits and to rename the
19 bureau, the Bureau of State Audits and Evaluations. Any statutory
20 duties previously assigned to either the Office of State Audits and
21 Evaluations and the Performance Review Unit in the Department
22 of Finance or to the Bureau of State Audits are hereby reassigned
23 to the Bureau of State Audits and Evaluations.

24 SEC. 39. This act shall become operative only if Senate
25 Constitutional Amendment ____ of the 2007–08 Regular Session
26 is approved by the voters and, in that case, shall take effect on the
27 day after the election in which the voters approve that measure.